

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

February 7, 1991
p.m.

Hearing Room F 1:15
Tapes 21 - 23

MEMBERS PRESENT: Rep. John Schoon, Chair Rep. Hedy L. Rijken,
Vice-Chair Rep. Jerry Barnes Rep. Lisa Naito Rep. Carolyn Oakley Rep.
Beverly Stein Rep. Greg Walden

STAFF PRESENT: Terry Connolly, Committee Administrator Annetta
Mullins, Committee Assistant

MEASURES CONSIDERED: HB 2222 PH HB 2312 PH HB 2217 PH

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TAPE 21, SIDE A

010 CHAIR SCHOON calls the meeting to order at 1:32 p.m. and opens the public hearing on HB 222 2.

HB 2222 - MODIFIES ELIGIBILITY, FUNDING AND "SUNSET" DATE FOR SPECIAL ASSISTANCE TELECOMMUNICATIONS PROGRAMS. Witnesses: Pat Fawcett, Administrator, Oregon Telephone Assistance Program Jim Sexton, Administrator, Public Utility Commission Ron Eachus, Public Utility Commissioner Jack R. Cassell, Administrator, TDAP

010 PAT FAWCETT, Administrator, Oregon Telephone Assistance Program, submits and reads a prepared statement identifying possible eligible participants of an extended OTAP program (EXHIBIT A).

138 CHAIR SCHOON: What limits the matching benefit dollars?

137 MS. FAWCETT: We set the benefit for our program to match that subscriber line charge imposed by the FCC of \$3.50. That has a history back to 1985 when changes occurred in the telephone industry and the residential customers were charged the fee. We did that through rule and the commission order.

149 REP. WALDEN: Was the original intent to make sure that low-income people had basic service phone service because they couldn't afford it.

154 MS. FAWCETT: The original intent for this program was based on the idea of universal telephone service. At the time of the breakup of the phone company, an additional charge was imposed. It was felt that

additional charge would be more than some people could afford and would drop their phone service. The idea was to provide some type of credit or assistance to allow them to continue basic service. It is called life line.

166 REP. WALDEN: Have any studies been done to determine how the program has functioned in allowing people to maintain a phone? Have you looked at how long distance charges are run up on some of these same bills? Are we subsidizing where we don't need to? I look at the projected increase to go to \$8 million from \$3.8.

174 MR. SEXTON, Executive Director, Public Utility Commission: There was some confusion in the fiscal impact statement (SEE EXHIBIT H OF COMMITTEE MINUTES DATED FEBRUARY 5, 1991). The numbers for 91-93 indicate what we expect our actual experience to be. When the statement was put together six months ago, it was before the commission decided to lower the fee for the OTAP from 15 cents to five cents. The question was asked what the cost would be if everybody were in the program that were anticipated; the figure was the \$8 million. That is the outside revenue that could be collected and the expenditure that could be made. That is not what we actually foresee for the program. Our experience indicates something approaching one-half of that for the next biennium.

188 REP. WALDEN: Why hasn't the fiscal analysis been changed?

MR. SEXTON: It will be changed.

204 REP. WALDEN: Are subsidized customers running up long distance calls?

211 MS. FAWCETT: We don't have any limitation on the type of service the person can subscribe to.

250 Issues discussed: Eligibility based on criteria of Human Resource programs. Equity of program participants. Ability for continual certification for eligibility. Income limits for eligibility.

TAPE 22, SIDE A

018 RON EACHUS, Public Utility Commissioner: I was in the Legislature and served on the committee that developed the legislation that passed and will try to answer any questions the committee may have.

034 REP. WALDEN: I see the program expanding and expanding. We are told the fiscal analysis isn't a true reflection of the change, but when I see a program increase from \$3.8 million in 1991-93 and \$8.4 million in 1993-95, I begin to wonder what kind of program we are creating, and I know who is paying for it.

041 MR. SEXTON: The fiscal impact figure for 1991-93 is supposed to represent the impact of this legislation. That represents the 18 month add on cost of the first six months of the next biennium beyond the sunset level because the program goes to January 1992. To get a picture of the costs for the 1991-93 biennium, you have to increase that by 25 percent.

051 REP. WALDEN: What is the 1989-91 costs?

052 MS. FAWCETT: For 1989-91 we have a total of \$3.2 million for the OTAP portion of the program.

065 REP. WALDEN: Would it drop to \$1.78 next biennium?

066 MS. FAWCETT: For the 1991-93 OTAP program for 24 months, we have the expenditure at \$2.396 million. The projection in the fiscal impact

statement was, as Mr. Sexton stated, the full 15 cents on all lines; it was the full amount for each program. The other figures are at the five cent level.

077 REP. WALDEN: What is the TDAP figure for 1989-91 and 1991-93?

079 JACK CASSELL: That would be \$2.714 for 1991-93. I believe the cost for 1989-91 to be about \$2.7 million.

092 MR. SEXTON: I believe the high numbers in the fiscal impact for 1993-95 is what is possible under the law. Even though the commission has currently decided by order to charge less, the law would allow them to collect more and spend more, subject to future budgets.

101 COMMISSIONER EACHUS: There was a federally ordered shift of costs with the subscriber line charge. Unlike other charges which we have for basic local service where you have the option of a measured service, with the subscriber line charge you pay it in order to have access to long distance, there is no option. Following a period of rate increases, investments the telephone industry was making and increasing rates throughout the country, the federal government created the matching program. We followed up with our universal service bill. We went through some extensive analysis trying to figure out what the program costs would be, who it would serve and how to verify that it is serving the people we wanted to served without creating something that was so open ended that it would overwhelm us. That, in part, is why the sunset was put on. Our initial estimates of the costs were high, in part, because of the worry about administrative costs.

Through the work of Pat Fawcett and working with the Department of Human Resources, we were able to establish a program with relatively low administrative costs. We were not aware of how many people on a voluntary basis would take the program. We found we were able to reduce the administrative costs, the level of people taking the program and because of the turnover it wasn't as high as one might think and also that we were pretty much tied to the food stamp criteria. We did that because it was an existing low income criteria and included most of the people we were trying to target.

The Legislature, however, never intended that it be limited to food stamp recipients. The criteria was that the people were eligible for food stamps. Out of that have grown the questions of who ought to be eligible and how should that be determined. We have tried to develop an approach that is based on our ability to verify. It was our ability to verify through the Department of Human Resources that actually enabled us to reduce the administrative costs to the point where we had more money available for benefits and to be able to reduce the costs to five cents as compared to the 15 cents before.

A key to the equity of the program as well as the concerns about it getting too expansive is tying eligibility to a defined level we feel comfortable with that identifies the population we want and also tying it to our ability to verify that these people are the people that qualify. That is why we come back with an amendment to tie it to our ability to verify eligibility rather than confine it to one agency or some specific program.

271 REP. OAKLEY: Who pays the additional 50 percent hook-up charge?

280 MS. FAWCETT: The 50 percent hook-up charge is long distance revenue. The FCC has an arrangement with telephone companies; the money does not flow through the Public Utility Commission. We only coordinate the program and say the person is eligible.

294 REP. OAKLEY: If a person could not pay their telephone bill and the

telephone is taken out, would that person be eligible for the 50 percent hook-up charge in another two months? Is there any criteria?

295 MS. FAWCETT: When the program started they did have requirements along that line. They have since removed the restriction because they felt it was a barrier and the states were not participating in the program. Link-Up America is a federal program which sets the standards for the eligibility. If a person has an outstanding bill, they would have to take care of that before they would be able to qualify again under the Link-Up America program. The assistance in that program is up to a maximum of \$30. In Oregon, the initial hook-up charge, not including the deposit or other charges, ranges from \$12 to \$46. \$12 is the one for the major carriers so most people under Link-Up America get a \$6 credit.

330 CHAIR SCHOON: If someone is eligible but not taking other assistance, would that person be denied this service?

335 MS. FAWCETT: That is pretty much the situation we have. There isn't any know mechanism for reaching that group of people.

372 COMMISSIONER EACHUS: We do not want to be another agency determining what someone's income level is.

412 CHAIR SCHOON: We will not hold the work session on this bill until I check with the Department of Revenue to find out why they can't provide the information on low-income elderly citizens. We will reschedule it for our next regular meeting.

424 REP. WALDEN: Could we also get a revised fiscal impact statement?

429 CHAIR SCHOON: Yes, and we need to have some good language on the definition of qualifying low income recipients.

436 CHAIR SCHOON closes the public hearing on HB 2222 and opens the public hearing on HB 231 2.

TAPE 21, SIDE B

HB 2312 - AUTHORIZES MOTOR VEHICLES DIVISION TO PETITION COURT TO ENJOIN PERSON FROM ACTING AS VEHICLE DEALER IN VIOLATION OF OREGON VEHICLE CODE. Witnesses:Wanda Wahus, Executive Director, OIADA Steve Curry, OIADA Ron Terry, OIADA Don Miner, Oregon Mfg. Housing Association Dennis Koho, Dept. of Motor Vehicles Frank Brawner, Oregon Bankers Association

The preliminary staff measure summary is hereby made a part of these minutes (EXHIBIT B).

030 WANDA WAHUS, Executive Director, Oregon Independent Auto Dealers Association, submits and reads a prepared statement (EXHIBIT C) explaining HB 2312, the reasons for the bill, and the proposed amendments (EXHIBIT D).

090 STEVE CURRY, President and owner, Heritage Motors, Medford and President, Oregon Independent Auto Dealers Association, submits and reads a prepared statement explaining the reasons for the bill (EXHIBIT E).

183 Issues discussed: >Licensed dealer responsibility when buying vehicles. >Consignment sales. >Consumer recourse. >Enforcement procedures. >Inspection program to detect altered odometers or damaged vehicle.

333 RON TERRY, National Vice President, National Independent Automobile

Dealers Association (NIADA), submits a prepared statement and unlicensed dealer suspect report. He reads the prepared statement (EXHIBIT F).

TAPE 22, SIDE B

030 Issues discussed: >Annual license fee. >Civil penalties.

074 MS. WAHUS: We have a letter from Timothy Wood from the Civil Enforcement Division, Financial Fraud Section, Attorney General's office (EXHIBIT G). He supports HB 2312. I have also been authorized to say that the Oregon Autobody Craftsmen also support it. The new car dealers also support the bill. Mr. Wood is proposing an amendment and we have no objection to it.

085 DON MINER, OREGON MANUFACTURED HOUSING ASSOCIATION, submits and summarizes a prepared statement in support of HB 2312 (EXHIBIT H).

165 DENNIS KOHO, Manager, Business Regulation Section, Motor Vehicles Division, submits and reviews a prepared statement (EXHIBIT I).

196 REP. NAITO: Do the law enforcement agencies do the investigations?

213 MR. KOHO: Law enforcement agencies have the authority, if not the interest to do the investigations on their own. However, particularly in the Portland area they are more concerned about crimes against persons than property. If we put together the investigation and hand them a case, they will cooperate and issue a citation.

230 REP. STEIN: Do you use injunctive relief now?

230 MR. KOHO: No, we do not. We do not have the authority now. This would grant us specific authority.

242 REP. BARNES: Has your department given any thought to having a required inspection of vehicle odometers, title, and safety of vehicles coming into the state?

245 MR. KOHO: We have had discussions primarily with the Oregon State Police regarding inspections. Most of those discussions have focused on the Vehicle Identification Number (VIN) inspections which are required. There are some resource allocation questions that agencies have as to who ought to be making those inspections.

254 REP. RIJKEN: Would the two investigator's primary job be to follow up on complaints by going through newspaper advertisements, etc.?

257 MR. KOHO: Yes, they would. We currently have a staff of six investigators. They can't keep up with the existing work load on licensed dealer records. We would spread the workload out throughout the state with the two being devoted exclusively to pursuing unlicensed dealers.

271 REP. BARNES: Do you have a feel for how many vehicles a family would go through in a year?

274 MR. KOHO: I don't. In large part I think it depends on whether they buy a new or relatively new car. I think the language proposed in the bill shifts the burden of proving they are not a dealer to the individual making the transfers.

292 REP. BARNES: There are a number of exclusions in the bill. I suspect there are other reasons. Would DMV need a provision where they could grant an exemption besides the ones in the bill?

299 MR. KOHO: I don't believe we would need any additional authority.

We would promulgate rules.

310 REP. WALDEN: How could you do that under Section 8?

315 MR. KOHO: As I read line 34 on page 2, a person would have the burden of proof in proving the vehicles were not primarily owned for personal, family or household purposes and they are not in the business of selling cars.

333 It would be my intent should this bill pass that we would promulgate rules to clarify that.

346 FRANK BRAWNER, Oregon Bankers Association: We support the passage of HB 231 2 and offer amendments that deal with Section 8 on page 2 (EXHIBIT J). It is our understanding that the intent of the drafters was to make sure that the owner of a vehicle was subject to the new language listed on pages 33-35 and not the security holders or the lessors. We don't make automobile loans to have to take the car back, but sometimes that happens and perhaps it might happen more than three times and we would be unable to certify whether it was personal, family or household purposes. Our amendments would carry out what we understand the intent of the bill to be and would exempt from the qualifiers on lines 33-35 security interest holders and lessors.

373 Issues discussed: >Effect of law on sales of fleet vehicles and government-owned surplus vehicles.

TAPE 23, SIDE A

058 VICE CHAIR RIJKEN closes the public hearing on HB 2312 and opens the public hearing on HB 2217.

HB 2217 - AMENDS VARIOUS STATUTES GOVERNING LIFE AND HEALTH INSURANCE.
Witnesses: Mary Alice Bjork, Rates & Forms Section, Dept. of Insurance and Finance
Lewis Littlehales, Insurance Division
Donna Bleiler, Rates & Forms Section, Dept. of Insurance and Finance
John Powell, Blue Cross/Blue Shield
Bruce Bishop, Kaiser Permanente

The Preliminary Staff Measure summary is hereby made a part of these minutes (EXHIBIT K).

066 MARY ALICE BJORK, Manager, Rates and Forms Section, Insurance Division, Department of Insurance and Finance, submits and reads a prepared statement explaining the reasons for and provisions of HB 2217 (EXHIBIT L).

120 LOUIS LITTLEHALES, Insurance Division: In my review of this bill with Mr. Connolly, I mentioned we had reviewed the proposals and issues in the draft with industry and indicated that changes will be proposed for clarification (EXHIBIT M)

132 Issues discussed: >Provisions of law relating to fraternal code.

148 REP. WALDEN: On page 2 of the bill, does (4) mean if I adopt a child, the insurance company would have to provide health insurance?

155 DONNA BLEILER, Life Analyst, Rates and Forms Section: The changes are to accommodate a legal guardian in relationship to a child versus a parent relationship. The statutes already permit a parent to secure insurance on a dependent and if the child is legally adopted, the child is a legal dependent.

178 MS. BJORK: There have been problems where relatives have been appointed legal guardians and have become responsible for financial obligations for illnesses. This allows them to have insurable interest

so they may prepare for that.

189 MR. LITTLEHALES: We aren't saying the insurer must provide insurance to the applicant.

203 JOHN POWELL, Blue Cross/Blue Shield: We have three or four areas where we have questions and want to talk to the Insurance Division about clarification. Rep. Walden's questions were similar to the ones I have asked the department. One question is the total impact of the language on page 2, line 10. Another is on page 3, the new language in Section 5 on line 16 making sure that fraud and material misstatements are differentiated in terms of impact on future policy provisions.

260 BRUCE BISHOP, Kaiser Permanente: On Section 5, page 3 we are concerned about a couple of other issues. The provision in lines 16-23, if enacted, would narrow the basis on which we could terminate a contract. In our contracts, it is permissible to terminate the contract if there is an intentional break in the relationship between a physician and a member. That would not be permitted under this language. We understand it is the division's intention that that kind of provision be eliminated. We would be interested in talking with the division more about line 23 and in particular what they intend by "any other reason specified by the director by rule" and what kinds of other grounds they would anticipate enacting by rule. We think that would be important for the committee to understand as well and we haven't had a chance to flush that out.

In addition, in line 14, page 3, we have a concern with the deletion of the requirement about saving the conditions for termination in the contract. It appears with this change it would no longer be required that the basis for the contract being terminated be specified. That may be what is intended. It might be easier for us to write a contract that said any basis permitted by law, but it is not clear that it would be as informative to an insured about what kinds of conduct would be cause for termination.

295 JOHN POWELL: On page 3, lines 33-36, we want to be clear on the intention of rule making.

305 BRUCE BISHOP: I would like to talk about Section 18 as well only for clarifying for the committee what the purpose of the amendment on lines 20-22 is. ORS 750.055 is probably one of the most convoluted and misunderstood provision of Oregon statutes. But it is this section that applies to health care service contractors' specific provisions of the Insurance Code. Health care service contractors are entities like Kaiser Permanente, Blue Cross and ODS, non-profit organizations that basically reimburse providers for services rather than reimbursing individual insureds for services. Unless a specific reference to the Insurance Code is made in this section, Insurance Code laws don't apply to health care service contractors or the HMOs.

Lines 20-22 are often times particularly controversial because those sections were the 1987 Session's enactment of mental health and chemical dependency mandates. You may get concerns from some people that the effect of the repeal of this is to eliminate the requirement on federally qualified HMOs to provide the required mental health and chemical dependency services. That is not the effect. This is an outdated provision that is being eliminated for housekeeping purposes and it will not affect any requirements on us or other health care service contractors to provide the minimum level of mental health and chemical dependency services.

351 MR. POWELL: We will seek clarification on these and report back to

the committee on our conclusions and findings.

360 VICE CHAIR RIJKEN, having determined there were no further witnesses, closed the public hearing on HB 2217 and the meeting adjourned at 3:50 p.m.

Respectfully submitted,

Reviewed by,

Annetta Mullins
Assistant

Terry Connolly
Administrator

EXHIBIT SUMMARY

A -HB 2222, prepared statement, Pat Fawcett B -HB 2312, Preliminary Staff Measure Summary, staff C -HB 2312, prepared statement, Wanda Wahus D -HB 2312, proposed amendments, HB 2312-1, Wanda Wahus E -HB 2312, prepared statement, Steve Curry F -HB 2312, prepared statement, Ron Terry G -HB 2312, prepared statement, Timothy Wood H -HB 2312, prepared statement, Don Miner I -HB 2312, prepared statement, Dennis Koho J -HB 2312, proposed amendments, Frank Brawner K -HB 2217, Preliminary Staff Measure Summary, staff L -HB 2217, prepared statement, Mary Alice Bjork M -HB 2217, proposed amendments, Lewis Littlehales